



## VERMONT PENSION INVESTMENT COMMITTEE

OCTOBER 25, 2016

**DRAFT; NOT YET APPROVED BY COMMITTEE**

### **VPIC Members Present:**

TOM GOLONKA, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2018

ROBERT HOOPER (phone), VSERS Representative, term expiring June 30, 2020

PETER AMONS, VMERS Representative, term expiring June 30, 2018

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2019

KAREN PAUL (phone), Governor's Delegate, term expiring June 30, 2018

### **VPIC Alternate Members Present:**

JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2020

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2019

DAVID STARR (phone), Governor's Delegate *Alternate*, term expiring June 30, 2016

STEVE JEFFREY, VMERS *Alternate*, term expiring June 30, 2018

### **Also attending:**

Katie Green, Investments Manager

Jaye Pershing-Johnson, Heather Devine, and Jesse Moorman, Attorney General's Office

Margaret Belmondo, Chris Levell, Richard Charlton, Matt Ritter, Kevin Leonard, NEPC LLC

Jamie Sunday and Geoff Mullen, Landmark Partners

Bob McClain and Susan Bailey, Crow Holdings Capital

Professor Fritz Burkhardt, Danielle Barbato, Zhomart Dairov, Jeffrey Diehl, Scott Hafner, Corey

Hill, Mark Jipner, Ibrahim Kasim, Shawn Leary, Julian Lopez, Victoria Morelli, Kyle Sherman,

Adam Vernali, Champlain College

Kathryn DeNitto, State Street Bank Co.

Austin Davis, 350.org

### **CALL TO ORDER:**

The Chair, called the Tuesday, October 25<sup>th</sup> meeting to order at 8:30 am, which was held in the Governor's Conference Room, 109 State Street, Montpelier, VT.

### **ITEM 1:      Agenda Approval and Announcements**

The Chair reviewed the agenda with the Committee and asked if any members of the Committee would like to add or amend any agenda items. Mr. Mackey requested a discussion regarding the

outcome of the VPIC Chair and Treasurer's discussion with NEPC on section two of the contract as voted by the Committee on September 28, 2016.

**On a motion by Joseph Mackey, seconded by Treasurer Pearce, the Committee unanimously approved the agenda as written with the addition requested by Mr. Mackey.**

Kevin Leonard from NEPC presented the firm's recommendation to amend section two of the NEPC contract, such that it eliminates the constraint that any consultant assigned to the VPIC account be a NEPC partner and eliminate the requirement for Christopher Levell and Doug Moseley to be named lead consultants on the VPIC account. Questions by the Board were posed to NEPC, the Treasurer and the Chair regarding the recommendation.

**On a motion by Treasurer Pearce, seconded by Joseph Mackey, the Committee unanimously approved the recommendation to amend the contract to remove the constraint that all consultants from NEPC assigned to the VPIC account be a partner and remove reference to any specific consultants.**

## **ITEM 2:      Consent Agenda**

The Chair indicated the items in the Consent Agenda today were the minutes.

**On a motion by Vaughn Altemus, seconded by Joseph Mackey, the Committee unanimously approved the consent agenda as written.**

## **ITEM 3:      Discussion Items and Updates**

- **Vermont State Treasurer's Update**

The Treasurer, Ms. Pearce, presented the Treasurer's Report to the Committee. She requested the Board's permission to allow the Treasurer's office to co-file proxy resolutions on the VPIC's behalf related to issues of energy efficiency, carbon asset risk, proxy access bylaw amendments, and public policy & lobbying reviews.

**On a motion by Vaughn Altemus, seconded by Peter Amons, the Committee approved a motion to allow the Treasurer's office to co-file on resolutions related to issues of energy efficiency, carbon asset risk, proxy access bylaw amendments, and public policy & lobbying reviews on the VPIC's behalf with sufficient notice to the VPIC Board (Vote For: Bob Hooper, Karen Paul, Vaughn Altemus, Treasurer Pearce, Peter Amons; Vote Against: Joseph Mackey).**

## **ITEM 4:      VPIC ESG Sub-Committee Report**

The Chair and Treasurer Pearce reviewed the progress of the ESG Sub-Committee and the contract with PCA for consulting services.

**ITEM 5: Director of Investments Report**

Ms. Green reviewed the Director of Investments Report with the Board. She notified the Committee that after September's semi-annual rebalance the VPIC allocations were in-line with their target allocations. Ms. Green provided an update to the Committee on current contracts in progress and in-house meetings with managers.

**ITEM 6: NEPC Investment Manager Review**

Ms. Belmondo reviewed the *September 2016 Flash Report* with the Committee. The Committee posed questions regarding performance and Ms. Belmondo responded.

**ITEM 7: Real Estate Manager Presentations**

Mr. Ritter reviewed the fund offerings and firms that would be presenting to the VPIC. The Chair then welcomed the first presenters into the conference room.

Mr. McClain and Ms. Bailey presented on behalf of Crow Holdings Capital the Crow Holdings Realty Partners VIII, LP. They then responded to questions from the Committee. *The presenters from Crowe Holdings Capital left the meeting.*

Mr. Geoffrey Mullen and Mr. Jamie Sunday were introduced and welcomed to the meeting. They presented on behalf of Landmark Partners the Landmark Real Estate Fund VIII. After their presentation they responded to questions from the Committee. *The presenters from Landmark Partners left the meeting.*

The Chair requested feedback from the Committee, NEPC and Staff. The Committee posed questions regarding the fund offerings to NEPC and Staff.

**On a motion by Treasurer Pearce, seconded by Vaughn Altemus, the Committee unanimously approved a motion to allocate \$30 million to Crow Holdings Realty Partners VIII, L.P. subject to fee negotiations by the Treasurer's office and upon legal review by the Attorney General's office.**

A brief lunch was taken from 12:30 – 12:47

**ITEM 6: Portfolio Investment Review FY4Q**

Mr. Levell and Ms. Belmondo reviewed with the Committee the *VPIC Fourth Quarter Investment Performance Analysis* document. Mr. Levell, Mr. Leonard, and Ms. Belmondo responded to the questions posed by the Committee regarding performance and benchmarking. Ms. Belmondo

reviewed the structure of the *Investment Performance Analysis* document and asked for the Committee's feedback and recommendations to improve its format.

**ITEM 7: NEPC/Staff Deliverables for Upcoming Meetings**

The Chair requested the Committee move the November meeting from November 22<sup>nd</sup> to November 29<sup>th</sup>. A schedule for the calendar year 2017 VPIC meetings will be made available at the next meeting for approval.

- NEPC will work to evaluate a peer group of public funds to create a custom Benchmark of Peers for the Committee.
- NEPC, the Treasurer's office Staff and the Attorney General's office will review the rebalancing policy and bring back to the Committee implementation recommendations.
- NEPC will work with Treasurer's office Staff to evaluate the structure of the *Investment Performance Analysis* document, which will meet the following parameters:
  - Meet the VPIC Investment Policy and Committee's fiduciary requirements
  - Include a detailed look-through of VPIC's exposures to risk
  - Review the current market environment
  - Summarize the portfolio's alternative investments
  - Include an executive summary on positive and negative fund performance
- NEPC will evaluate the VPIC portfolio for efficiencies of implementation of the asset allocation at the investment manager level and present a recommendation to the Committee at the December meeting.
- NEPC will create educational materials for the Committee regarding infrastructure as an asset class and its opportunity set.

**ITEM 8: Future Agenda Topics/New or Other Business**

**ITEM 9: Public Comment**

**ITEM 10: Adjournment**

The Committee unanimously approved a motion to adjourn the meeting at 1:48 PM.

Respectfully submitted,

**Investments Staff**

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